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**From:**

**Sent:** Friday, March 4, 2011 11:59 AM

**To:**

**Cc:**

**Subject:** Taxpayer that is still deducting the redemption of stock held by its ESOP

I will be glad to discuss your case further when we set up a call with us. Let me know if you would like me to set up the call. Do you have an attorney in assigned to the case? It would be good to include him or her.

I just wanted to point out in the meantime that the taxpayer is correct that the 2006 regulations would not apply to deductions before the effective date of the 2006 regulations; however, the Service won two cases in the 8th Circuit, Nestle Purina and General Mills, Inc., and one in the 3rd Circuit, Conopco, upholding Service position that the corporations are barred by 162(k) from taking deductions for redemptions of stock of ESOPs. I have attached the cases. Furthermore, the Supreme Court denied certiorari in Nestle Purina at 131 S.Ct. 86 (2010).

Please feel free to call me if you have any questions.